



uMfolozi Municipality  
Annual financial statements  
for the year ended 30 June 2016

# **uMfolozi Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **General Information**

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|   |   |
|---|---|
| <b>Legal form of entity</b>                 | Municipality  |
| <b>Executive Committee</b>                  | .   |
| <b>Mayor</b>                                | SW Mgenge<br>ME Ntshangase<br>BT Mnqayi<br>FPB Mpungose<br>FM Thusi<br>SK Ngema |
| <b>Grading of local authority</b>           | 1   |
| <b>Accounting Officer</b>                   | KE Gamede   |
| <b>Chief Financial Officer</b>              | JV Nkosi  |
| <b>Registered office</b>                    | 25 Bredelia Street<br>Kwa-Mbonambi<br>3915                                      |
| <b>Postal address</b>                       | P.O Box 96<br>Kwa-Mbonambi<br>3915  |
| <b>Bankers</b>                              | ABSA Bank   |
| <b>Auditors</b>                             | Auditor General South Africa  |
| <b>Telephone</b>                            | (035) 580-1421  |
| <b>Fax Number</b>                           | (035) 580-1141  |
| <b>E-mail Address ( Accounting Officer)</b> | gamedeke@mbonambi.co.za   |

# **uMfolozi Municipality**

Annual Financial Statements for the year ended 30 June 2016

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## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 43, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

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**KE Gamede**  
Municipal Manager



## Report of the Auditor General

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To the Council of uMfolozi Local Municipality

### *Report on the financial statements*

I have audited the accompanying annual financial statements of the uMfolozi Municipality which comprise the statement of financial position as at 30 June 2016, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 5 to 43.

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# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

| Figures in Rand                                  | Note(s) | 2016               | 2015               |
|--|---------|--------------------|--------------------|
| <b>Assets</b>                                    |         |                    |                    |
| Current Assets                                   |         |                    |                    |
| Receivables from Non-Exchange Transactions       | 4       | 10 802 592         | 8 202 673          |
| Other Receivables from non-exchange transactions | 6       | 80 579             | 92 211             |
| VAT receivable                                   | 7       | 3 099 196          | 3 956 920          |
| Cash and cash equivalents                        | 8       | 210 604            | 3 188 448          |
|  |         | <b>14 192 971</b>  | <b>15 440 252</b>  |
| Non-Current Assets                               |         |                    |                    |
| Property, plant and equipment                    | 2       | 183 948 794        | 140 957 142        |
| Intangible assets                                | 3       | 11 577             | 44 170             |
|  |         | <b>183 960 371</b> | <b>141 001 312</b> |
| <b>Total Assets</b>                              |         | <b>198 153 342</b> | <b>156 441 564</b> |
| <b>Liabilities</b>                               |         |                    |                    |
| Current Liabilities                              |         |                    |                    |
| Finance lease obligation                         | 10      | 1 278 980          | 1 702 219          |
| Payables from exchange transactions              | 12&13   | 25 163 685         | 18 929 593         |
| Unspent conditional grants and receipts          | 11      | 5 564 291          | 4 765 287          |
|  |         | <b>32 006 956</b>  | <b>25 397 099</b>  |
| Non-Current Liabilities                          |         |                    |                    |
| Finance lease obligation                         | 10      | 2 979 386          | 3 360 993          |
| <b>Total Liabilities</b>                         |         | <b>34 986 342</b>  | <b>28 758 092</b>  |
| <b>Net Assets</b>                                |         | <b>163 167 000</b> | <b>127 683 472</b> |
| Accumulated surplus                              |         | 163 167 000        | 127 683 472        |

\* See Note

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2016                 | 2015                |
|---|---------|----------------------|---------------------|
| <b>Revenue</b>                                      |         |                      |                     |
| <b>Revenue from exchange transactions</b>           |         |                      |                     |
| Service charges                                     | 15      | 312 222              | 278 715             |
| Rental of facilities and equipment                  |         | 141 714              | 111 175             |
| Licences and permits                                |         | 294 490              | 725 789             |
| Miscellaneous income                                |         | 357 505              | 534 680             |
| Sale of tender documents                            |         | 168 850              | 212 652             |
| Interest received                                   | 21      | 1 862 232            | 1 559 564           |
| <b>Total revenue from exchange transactions</b>     |         | <b>3 137 013</b>     | <b>3 422 575</b>    |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                     |
| <b>Taxation revenue</b>                             |         |                      |                     |
| Property rates                                      | 14      | 6 857 475            | 6 490 400           |
| <b>Transfer revenue</b>                             |         |                      |                     |
| Government Grants                                   | 16      | 141 600 993          | 122 591 586         |
| Fines   |         | 4 153 664            | 10 050 097          |
| <b>Total revenue from non-exchange transactions</b> |         | <b>152 612 132</b>   | <b>139 132 083</b>  |
| <b>Total revenue</b>                                |         | <b>155 749 145</b>   | <b>142 554 658</b>  |
| <b>Expenditure</b>                                  |         |                      |                     |
| Employee related costs                              | 18      | (27 306 911)         | (23 467 008)        |
| Remuneration of councillors                         | 19      | (8 438 896)          | (7 919 293)         |
| Depreciation and amortisation                       | 22      | (6 323 762)          | (4 591 945)         |
| Impairment loss/ Reversal of impairments            | 23      | (9 469)              | (40 185)            |
| Finance costs                                       | 24      | (332 461)            | (309 603)           |
| Provision for Bad debts movements                   | 20      | (3 761 888)          | (9 495 363)         |
| Repairs and maintenance                             | 27      | (5 154 457)          | (1 190 360)         |
| Contracted services                                 | 26      | (2 724 150)          | (2 178 153)         |
| Grants expenditures                                 |         | (11 565 399)         | (5 809 770)         |
| General Expenses                                    | 17      | (54 648 224)         | (41 409 111)        |
| <b>Total expenditure</b>                            |         | <b>(120 265 617)</b> | <b>(96 410 791)</b> |
| <b>Operating surplus</b>                            |         | <b>35 483 528</b>    | <b>46 143 867</b>   |
| Loss on disposal of assets                          |         | -                    | (56 245)            |
| <b>Surplus for the year</b>                         |         | <b>35 483 528</b>    | <b>46 087 622</b>   |

\* See Note

## uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

### Statement of Changes in Net Assets

| Figures in Rand                | Accumulated surplus | Total net assets   |
|--------------------------------|---------------------|--------------------|
| <b>Balance at 01 July 2014</b> | <b>81 595 850</b>   | <b>81 595 850</b>  |
| Changes in net assets          |                     |                    |
| Surplus for the year           | 46 087 622          | 46 087 622         |
| <b>Total changes</b>           | <b>46 087 622</b>   | <b>46 087 622</b>  |
| <b>Balance at 01 July 2015</b> | <b>127 683 472</b>  | <b>127 683 472</b> |
| Changes in net assets          |                     |                    |
| Surplus for the year           | 35 483 528          | 35 483 528         |
| <b>Total changes</b>           | <b>35 483 528</b>   | <b>35 483 528</b>  |
| <b>Balance at 30 June 2016</b> | <b>163 167 000</b>  | <b>163 167 000</b> |

\* See Note



# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Cash Flows

| Figures in Rand   | Note(s)   | 2016                | 2015                |
|---|-----------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |           |                     |                     |
| <b>Receipts</b>   |           |                     |                     |
| Sale of goods and services                                  |           | 1 389 339           | 4 785 676           |
| Grants  |           | 141 939 000         | 117 422 003         |
| Interest income   |           | 1 862 232           | 1 559 564           |
| Other receipts  |           | 483 903             | 1 059 302           |
|   |           | 145 674 474         | 124 826 545         |
| <b>Payments</b>   |           |                     |                     |
| Employee costs  |           | (35 749 677)        | (31 194 882)        |
| Suppliers   |           | (62 473 045)        | (42 714 829)        |
| Finance costs   |           | (20 302)            | (9 970)             |
|   |           | (98 243 024)        | (73 919 681)        |
| <b>Net cash flows from operating activities</b>             | <b>28</b> | <b>47 431 450</b>   | <b>50 906 864</b>   |
| <b>Cash flows from investing activities</b>                 |           |                     |                     |
| Purchase of property, plant and equipment                   | 2         | (48 470 546)        | (46 456 938)        |
| Increase in Finance Leases                                  | 2         | (821 744)           | (3 755 884)         |
| Proceeds from sale of Asset                                 |           | -                   | 144 737             |
| <b>Net cash flows from investing activities</b>             |           | <b>(49 292 290)</b> | <b>(50 068 085)</b> |
| <b>Cash flows from financing activities</b>                 |           |                     |                     |
| Finance lease payments                                      |           | (1 117 004)         | 2 193 765           |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>(2 977 844)</b>  | <b>3 032 544</b>    |
| Cash and cash equivalents at the beginning of the year      |           | 3 188 448           | 155 904             |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>8</b>  | <b>210 604</b>      | <b>3 188 448</b>    |

\* See Note

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budgets and Actual Amounts

Figures in Rand

|  | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance            | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
| <b>2016</b>  |                      |   |                          |  |   |                      |                      |                          |                     |                                     |  |
| <b>Financial Performance</b>   |                      |   |                          |  |   |                      |                      |                          |                     |                                     |  |
| Property rates   | 5 367 840            | -   | 5 367 840                | -  |   | 5 367 840            | 6 857 475            |                          | 1 489 635           | 128 %                               | 128 %                                  |
| Service charges  | 313 376              | -   | 313 376                  | -  |   | 313 376              | 312 222              |                          | (1 154)             | 100 %                               | 100 %                                  |
| Investment revenue   | 463 400              | -   | 463 400                  | -  |   | 463 400              | 1 862 232            |                          | 1 398 832           | 402 %                               | 402 %                                  |
| Transfers recognised - operational                                   | 98 420 000           | -   | 98 420 000               | -  |   | 98 420 000           | 110 228 608          |                          | 11 808 608          | 112 %                               | 112 %                                  |
| Other own revenue  | 27 053 384           | (17 000 000)  | 10 053 384               | -  |   | 10 053 384           | 5 116 223            |                          | (4 937 161)         | 51 %                                | 19 %                                   |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>131 618 000</b>   | <b>(17 000 000)</b>                                 | <b>114 618 000</b>       | <b>-</b>                                   |   | <b>114 618 000</b>   | <b>124 376 760</b>   |                          | <b>9 758 760</b>    | <b>109 %</b>                        | <b>94 %</b>                            |
| Employee costs   | (31 595 912)         | 2 134 677   | (29 461 235)             | -  | -   | (29 461 235)         | (27 306 911)         | -                        | 2 154 324           | 93 %                                | 86 %                                   |
| Remuneration of councillors  | (7 771 623)          | (67 026)  | (7 838 649)              | -  | -   | (7 838 649)          | (8 438 896)          | -                        | (600 247)           | 108 %                               | 109 %                                  |
| Debt impairment  | -                    | -   | -                        |  |   | -                    | (3 761 888)          | -                        | (3 761 888)         | - %                                 | - %                                    |
| Depreciation and asset impairment                                    | -                    | -   | -                        |  |   | -                    | (6 333 231)          | -                        | (6 333 231)         | DIV/0 %                             | DIV/0 %                                |
| Finance charges  | -                    | -   | -                        | -  | -   | -                    | (332 461)            | -                        | (332 461)           | - %                                 | - %                                    |
| Transfers and grants   | (450 000)            | (225 000)   | (675 000)                | -  | -   | (675 000)            | (11 565 399)         | -                        | (10 890 399)        | 1 713 %                             | 2 570 %                                |
| Other expenditure  | (61 925 145)         | (1 842 971)   | (63 768 116)             | -  | -   | (63 768 116)         | (62 526 831)         | -                        | 1 241 285           | 98 %                                | 101 %                                  |
| <b>Total expenditure</b>   | <b>(101 742 680)</b> | <b>(320)</b>  | <b>(101 743 000)</b>     | <b>-</b>                                   | <b>-</b>                                  | <b>(101 743 000)</b> | <b>(120 265 617)</b> | <b>-</b>                 | <b>(18 522 617)</b> | <b>118 %</b>                        | <b>118 %</b>                           |
| <b>Surplus/(Deficit)</b>   | <b>29 875 320</b>    | <b>(17 000 320)</b>                                 | <b>12 875 000</b>        | <b>-</b>                                   |   | <b>12 875 000</b>    | <b>4 111 143</b>     |                          | <b>(8 763 857)</b>  | <b>32 %</b>                         | <b>14 %</b>                            |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

|   | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance     | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|--------------|-------------------------------------|--|
| Transfers recognised - capital                              | 33 382 000      | 6 155 000   | 39 537 000               | -  |   | 39 537 000   | 31 372 385     |                          | (8 164 615)  | 79 %                                | 94 %                                   |
| Surplus (Deficit) after capital transfers and contributions | 63 257 320      | (10 845 320)  | 52 412 000               | -  |   | 52 412 000   | 35 483 528     |                          | (16 928 472) | 68 %                                | 56 %                                   |
| Surplus/(Deficit) for the year                              | 63 257 320      | (10 845 320)  | 52 412 000               | -  |   | 52 412 000   | 35 483 528     |                          | (16 928 472) | 68 %                                | 56 %                                   |
| Capital expenditure and funds sources                       |                 |   |                          |  |   |              |                |                          |              |                                     |  |
| Total capital expenditure                                   | 63 257 320      | (10 845 320)  | 52 412 000               | -  |   | 52 412 000   | 104 407 458    |                          | 51 995 458   | 199 %                               | 165 %                                  |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

|   | Original budget  | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget      | Actual outcome     | Unauthorised expenditure | Variance            | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|------------------|---|--------------------------|--|---|-------------------|--------------------|--------------------------|---------------------|-------------------------------------|--|
| <b>Cash flows</b>   |                  |   |                          |  |   |                   |                    |                          |                     |                                     |  |
| Net cash from (used) operating                              | 28 700 000       | 53 794 000  | 82 494 000               | -  |   | 82 494 000        | 47 431 450         |                          | (35 062 550)        | 57 %                                | 165 %                                  |
| Net cash from (used) investing                              | (44 082 000)     | (2 175 000)   | (46 257 000)             | -  |   | (46 257 000)      | (49 292 290)       |                          | (3 035 290)         | - %                                 | - %                                    |
| Net cash from (used) financing                              | 17 000 000       | -   | 17 000 000               | -  |   | 17 000 000        | (1 117 004)        |                          | (18 117 004)        | - %                                 | - %                                    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>1 618 000</b> | <b>51 619 000</b>                                   | <b>53 237 000</b>        | <b>-</b>                                   |   | <b>53 237 000</b> | <b>(2 977 844)</b> |                          | <b>(56 214 844)</b> | <b>(6)%</b>                         | <b>(184)%</b>                          |
| Cash and cash equivalents at the beginning of the year      | 156 000          | 3 032 000   | 3 188 000                | -  |   | 3 188 000         | 3 188 448          |                          | 448                 | - %                                 | 2 044 %                                |
| <b>Cash and cash equivalents at year end</b>                | <b>1 774 000</b> | <b>54 651 000</b>                                   | <b>56 425 000</b>        | <b>-</b>                                   |   | <b>56 425 000</b> | <b>210 604</b>     |                          | <b>56 214 396</b>   | <b>- %</b>                          | <b>12 %</b>                            |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosure have been based on South African Statements of General Accepted Accounting Practices (SA GAAP) including any interpretation of such Statements issued by the Accounting Practice Board.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Grap Standards Summary

##### Applicable Standards

|          |  |
|----------|--|
| GRAP 1   | - Presentation of Financial Statement                              |
| GRAP 2   | - Cash Flow Statement  |
| GRAP 3   | - Accounting Policies , Changes in Accounting Estimates and Errors |
| GRAP 5   | - Borrowing Costs  |
| GRAP 9   | - Revenue from Exchange Transactions                               |
| GRAP 13  | - Leases   |
| GRAP 14  | - Events After the Reporting Date                                  |
| GRAP 16  | - Investment Properties  |
| GRAP 17  | - Property, Plant and Equipment                                    |
| GRAP 19  | - Provisions, Contingent Liabilities and Contingent Assets         |
| GRAP 23  | - Revenue from Non-exchange Transactions                           |
| GRAP 24  | - Presentation of Budget Information in Financial Statements       |
| GRAP 25  | - Employee Benefits  |
| GRAP 31  | - Intangible Assets  |
| GRAP 100 | - Non-current Assets Held for Sale and Discontinued Operations     |
| GRAP 104 | - Financial Instruments  |
| IGRAP 1  | - Traffic fines  |

New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:

|          |   |                             |
|----------|---|-----------------------------|
| GRAP 32  | Service Concession Arrangement : Grantor  | Unknown                     |
| GRAP 108 | Statutory Receivables   | Effective date not approved |
| IGRAP 17 | Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset. | Effective date not approved |
| GRAP 20  | Related party disclosures   | Effective date not approved |
| GRAP 109 | Accounting by principals and agents   | Effective date not approved |

#### 1.3 Going Concern Assumption

##### Basis

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

## **Accounting Policies**

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### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

#### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

## **Accounting Policies**

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### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance. Additional text

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts are more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

### **1.5 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **Subsequent Measurement - Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **Depreciation**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

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# uMfolozi Municipality

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## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

| Item                                | Average useful life |
|-------------------------------------|---------------------|
| Infrastructure                      |                     |
| • Roads and paving                  | 30                  |
| • Stormwater Drainage               | 20                  |
| Community                           |                     |
| • Buildings                         | 30                  |
| • Recreational facilities           | 20-30               |
| • Community Halls                   | 30                  |
| • Parks and Gardens                 | 30                  |
| • Libraries                         | 30                  |
| Equipment and furniture             |                     |
| • Office Equipment                  | 4                   |
| • Furniture and fittings            | 7-10                |
| • Bins and containers               | 5                   |
| • Specialised plant and equipment   | 10-15               |
| Other property, plant and equipment |                     |
| • Buildings                         | 30                  |
| • Specialised vehicles              | 10                  |
| • Other vehicles                    | 5                   |
| Other                               |                     |
| • Emergency equipment               | 15                  |
| • Computer equipment                | 7                   |
| • Landfill Sites                    | 15                  |

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



## Accounting Policies

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### 1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up

#### Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

The annual amortisation rates are based on the following estimated average asset lives.

| Item                     | Useful life |
|--------------------------|-------------|
| Computer software, other | 5 years     |

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### **1.8 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

## **Accounting Policies**

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### **1.8 Leases (continued)**

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.9 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **Accounting Policies**

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### **1.9 Employee benefits (continued)**

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

## **Accounting Policies**

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### **1.10 Provisions and contingencies**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

### **1.11 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

## **Accounting Policies**

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### **1.11 Revenue from exchange transactions (continued)**

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### **1.12 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.



## Accounting Policies

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### 1.12 Revenue from non-exchange transactions (continued)

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has one type of fines: namely traffic fines. There is certainty regarding the probability of the flow of economic benefits or service potential in respect of fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest rate method.

### 1.14 Retirement Benefits

#### Post Retirement

The municipality provides retirement benefits for its Employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

### 1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# **uMfolozi Municipality**

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## **Accounting Policies**

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### **1.18 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.19 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.20 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. The budget covers the period from 1 July 2015 to 30 June 2016.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### **1.21 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.22 Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 2. Property, plant and equipment

|  | 2016                |   |                    | 2015                |   |                    |
|--|---------------------|---|--------------------|---------------------|---|--------------------|
|  | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value     |
| Land                                   | 10 404 853          | -   | 10 404 853         | 10 404 853          | -   | 10 404 853         |
| Buildings                              | 7 902 206           | (4 051 202)   | 3 851 004          | 7 385 974           | (3 812 289)   | 3 573 685          |
| Leased office equipment                | 1 174 322           | (992 425)   | 181 897            | 1 174 323           | (734 111)   | 440 212            |
| Leased motor vehicles                  | 6 794 803           | (2 548 197)   | 4 246 606          | 5 973 059           | (1 216 703)   | 4 756 356          |
| Infrastructure                         | 50 893 237          | (13 099 241)  | 37 793 996         | 29 880 140          | (11 433 331)  | 18 446 809         |
| Community                              | 71 288 073          | (18 038 608)  | 53 249 465         | 62 052 394          | (15 701 136)  | 46 351 258         |
| Other property, plant and<br>equipment | 9 288 957           | (7 486 423)   | 1 802 534          | 8 533 433           | (7 017 888)   | 1 515 545          |
| Work in progress                       | 72 418 439          | -   | 72 418 439         | 55 468 424          | -   | 55 468 424         |
| <b>Total</b>                           | <b>230 164 890</b>  | <b>(46 216 096)</b>   | <b>183 948 794</b> | <b>180 872 600</b>  | <b>(39 915 458)</b>   | <b>140 957 142</b> |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 2. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

|                                     | Opening<br>balance | Additions         | Transfers    | Depreciation       | Impairment<br>loss | Total              |
|-------------------------------------|--------------------|-------------------|--------------|--------------------|--------------------|--------------------|
| Land                                | 10 404 853         | -                 | -            | -                  | -                  | 10 404 853         |
| Buildings                           | 3 573 685          | 516 232           | -            | (238 911)          | -                  | 3 851 006          |
| Leased office equipment             | 440 213            | -                 | -            | (258 314)          | -                  | 181 899            |
| Leased motor vehicles               | 4 756 356          | 821 744           | -            | (1 331 494)        | -                  | 4 246 606          |
| Infrastructure                      | 18 446 809         | -                 | 21 013 096   | (1 665 909)        | -                  | 37 793 996         |
| Community                           | 46 351 258         | -                 | 9 235 680    | (2 337 471)        | -                  | 53 249 467         |
| Other property, plant and equipment | 1 515 544          | 755 523           | -            | (459 066)          | (9 469)            | 1 802 532          |
| Work in progress                    | 55 468 424         | 47 198 791        | (30 248 776) | -                  | -                  | 72 418 439         |
|                                     | <b>140 957 142</b> | <b>49 292 290</b> | <b>-</b>     | <b>(6 291 165)</b> | <b>(9 469)</b>     | <b>183 948 798</b> |

#### Reconciliation of property, plant and equipment - 2015

|                                     | Opening<br>balance | Additions         | Disposals        | Transfers    | Depreciation       | Impairment<br>loss | Total              |
|-------------------------------------|--------------------|-------------------|------------------|--------------|--------------------|--------------------|--------------------|
| Land                                | 10 404 853         | -                 | -                | -            | -                  | -                  | 10 404 853         |
| Buildings                           | 3 811 182          | -                 | -                | -            | (237 497)          | -                  | 3 573 685          |
| Leased office equipment             | 675 077            | -                 | -                | -            | (234 864)          | -                  | 440 213            |
| Leased motor vehicles               | 1 884 324          | 3 755 883         | -                | -            | (883 851)          | -                  | 4 756 356          |
| Infrastructure                      | 14 501 219         | -                 | -                | 4 794 904    | (849 314)          | -                  | 18 446 809         |
| Community                           | 34 827 945         | -                 | -                | 13 281 125   | (1 757 812)        | -                  | 46 351 258         |
| Other property, plant and equipment | 1 982 683          | 370 040           | (200 982)        | -            | (596 012)          | (40 185)           | 1 515 544          |
| Work in progress                    | 27 457 555         | 46 086 898        | -                | (18 076 029) | -                  | -                  | 55 468 424         |
|                                     | <b>95 544 838</b>  | <b>50 212 821</b> | <b>(200 982)</b> | <b>-</b>     | <b>(4 559 350)</b> | <b>(40 185)</b>    | <b>140 957 142</b> |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

### 3. Intangible assets

|                          | 2016                |   |                | 2015                |   |                |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
|                          | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software, other | 162 978             | (151 401)   | 11 577         | 162 978             | (118 808)   | 44 170         |

#### Reconciliation of intangible assets - 2016

|                          | Opening<br>balance | Amortisation | Total  |
|--------------------------|--------------------|--------------|--------|
| Computer software, other | 44 172             | (32 595)     | 11 577 |

#### Reconciliation of intangible assets - 2015

|                          | Opening<br>balance | Amortisation | Total  |
|--------------------------|--------------------|--------------|--------|
| Computer software, other | 76 767             | (32 595)     | 44 172 |

### 4. Receivables from Non-Exchange Transactions

|                              |                   |                  |
|------------------------------|-------------------|------------------|
| Trade debtors                | 12 198 805        | 9 522 137        |
| Provision for Doubtful debts | (1 396 213)       | (1 319 464)      |
|                              | <b>10 802 592</b> | <b>8 202 673</b> |

#### Reconciliation of provision for doubtful debts of trade and other receivables

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Opening balance          | 1 891 403        | 1 854 236        |
| Provision for impairment | 80 288           | 37 167           |
|                          | <b>1 971 691</b> | <b>1 891 403</b> |

### 5. Summary of Receivables

|  |                   |                  |
|--|-------------------|------------------|
| <b>Gross balances</b>  |                   |                  |
| Rates  | 12 198 805        | 9 522 137        |
| <b>Less: Allowance for impairment</b>  |                   |                  |
| Rates  | (1 396 213)       | (1 319 464)      |
| <b>Net balance</b>   |                   |                  |
| Rates  | 10 802 592        | 8 202 673        |
| <b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b> |                   |                  |
| Rates  | 12 198 805        | 9 522 137        |
| <b>Gross balance</b>   | <b>12 198 805</b> | <b>9 522 137</b> |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                      | 2016              | 2015             |
|--|-------------------|------------------|
| <b>5. Summary of Receivables (continued)</b>         |                   |                  |
| <b>Rates</b>   |                   |                  |
| Current (0 -30 days)                                 | 521 419           | 606 874          |
| 31 - 60 days   | 339 503           | 483 652          |
| 61 - 90 days   | 218 314           | 431 870          |
| 91 - 120 days  | 308 529           | 297 890          |
| 121 - 365 days                                       | 10 811 040        | 7 701 851        |
|  | <b>12 198 805</b> | <b>9 522 137</b> |
| <b>Summary of debtors by customer classification</b> |                   |                  |
| <b>Consumers</b>                                     |                   |                  |
| Current (0 -30 days)                                 | 92 767            | 184 961          |
| 31 - 60 days   | 70 873            | 123 518          |
| 61 - 90 days   | 41 909            | 84 226           |
| 91 - 120 days  | 56 529            | 74 886           |
| 121 - 365 days                                       | 1 839 497         | 1 963 496        |
|  | 2 101 575         | 2 431 087        |
| Less: Allowance for impairment                       | (716 575)         | (887 827)        |
|  | <b>1 385 000</b>  | <b>1 543 260</b> |
| <b>Industrial/ commercial</b>                        |                   |                  |
| Current (0 -30 days)                                 | 225 763           | 222 227          |
| 31 - 60 days   | 68 132            | 173 173          |
| 61 - 90 days   | 44 692            | 165 752          |
| 91 - 120 days  | 53 947            | 43 389           |
| 121 - 365 days                                       | 1 798 660         | 904 336          |
|  | 2 191 194         | 1 508 877        |
| Less: Allowance for impairment                       | (679 638)         | (431 637)        |
|  | <b>1 511 556</b>  | <b>1 077 240</b> |
| <b>National and provincial government</b>            |                   |                  |
| Current (0 -30 days)                                 | 202 889           | 199 686          |
| 31 - 60 days   | 200 499           | 186 961          |
| 61 - 90 days   | 131 711           | 181 891          |
| 91 - 120 days  | 198 054           | 179 615          |
| 121 - 365 days                                       | 7 172 882         | 4 834 019        |
|  | <b>7 906 035</b>  | <b>5 582 172</b> |
| <b>Total</b>   |                   |                  |
| Current (0 -30 days)                                 | 521 419           | 606 874          |
| 31 - 60 days   | 339 503           | 483 652          |
| 61 - 90 days   | 218 314           | 431 870          |
| 91 - 120 days  | 308 529           | 297 890          |
| 121 - 365 days                                       | 10 811 040        | 7 701 851        |
|  | 12 198 805        | 9 522 137        |
| Less: Allowance for impairment                       | (1 396 213)       | (1 319 464)      |
|  | <b>10 802 592</b> | <b>8 202 673</b> |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand  | 2016          | 2015          |
|--|---------------|---------------|
| <b>6. Other Receivables from non-exchange transactions</b> |               |               |
| Sundry Debtors   | 596 907       | 605 000       |
| Traffic fines  | 3 740 750     | 9 554 513     |
| Allowance for impairment                                   | (4 257 078)   | (10 067 302)  |
|  | <b>80 579</b> | <b>92 211</b> |

### 7. VAT receivable

|     |           |           |
|-----|-----------|-----------|
| VAT | 3 099 196 | 3 956 920 |
|-----|-----------|-----------|

VAT output is payable on the receipts basis and VAT input is paid over to SARS only once the payment is made to the supplier.

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

|   |                |                  |
|---|----------------|------------------|
| Cash and Bank                                 | 202 483        | 3 159 025        |
| Traffic Fines Account and Grant Cash Accounts | 8 121          | 29 423           |
|   | <b>210 604</b> | <b>3 188 448</b> |

The municipality had the following bank accounts

| Account number / description                              | Bank statement balances |                  |                | Cash book balances |                  |                |
|---|-------------------------|------------------|----------------|--------------------|------------------|----------------|
|   | 30 June 2016            | 30 June 2015     | 30 June 2014   | 30 June 2016       | 30 June 2015     | 30 June 2014   |
| ABSA BANK -Account Type-<br>Cheque-40-5385-7155           | 200 983                 | 3 160 220        | 134 126        | 202 483            | 3 159 025        | 131 429        |
| ABSA BANK -Account Type-<br>Traffic 40-7854-4599          | 167                     | 12 394           | 14 090         | 167                | 12 384           | 14 090         |
| ABSA BANK - Account Type -<br>INEG-92-8652-5057           | 1 920                   | 1 815            | 1 178          | 1 920              | 1 815            | 1 178          |
| ABSA BANK - Account Type -<br>MIG-92-8651-3913            | 1 509                   | 1 427            | 1 357          | 1 509              | 1 427            | 1 357          |
| ABSA BANK - Account Type -<br>EPWP-92-8651-3769           | 1 077                   | 1 964            | 2 819          | 1 077              | 1 964            | 2 819          |
| ABSA BANK - Account Type -<br>FMG-92-8652-5340            | 1 211                   | 1 146            | 1 151          | 1 211              | 1 146            | 1 151          |
| ABSA BANK - Account Type -<br>MSIG-92-8651-3028           | 1 367                   | 1 292            | 1 449          | 1 367              | 1 292            | 1 449          |
| ABSA BANK - Account Type -<br>Call Account - 91-0739-9765 | -                       | -                | 2 431          | -                  | -                | 2 431          |
| ABSA BANK -Account Type-<br>Traffic 40-6506-2322          | 870                     | 9 385            | -              | 870                | 9 385            | -              |
| <b>Total</b>  | <b>209 104</b>          | <b>3 189 643</b> | <b>158 601</b> | <b>210 604</b>     | <b>3 188 438</b> | <b>155 904</b> |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                    | 2016             | 2015             |
|--|------------------|------------------|
| <b>9. Employee benefit obligations</b>             |                  |                  |
| <b>10. Finance lease obligation</b>                |                  |                  |
| <b>Minimum lease payments due</b>                  |                  |                  |
| - within one year                                  | 1 612 532        | 2 092 152        |
| - in second to fifth year inclusive                | 3 390 880        | 3 905 017        |
|  | 5 003 412        | 5 997 169        |
| less: future finance charges                       | (745 047)        | (933 958)        |
| <b>Present value of minimum lease payments</b>     | <b>4 258 365</b> | <b>5 063 211</b> |
| <b>Present value of minimum lease payments due</b> |                  |                  |
| - within one year                                  | 1 278 980        | 1 702 219        |
| - in second to fifth year inclusive                | 2 979 385        | 3 360 992        |
|  | 4 258 365        | 5 063 211        |
| Non-current liabilities                            | 2 979 385        | 3 360 992        |
| Current liabilities                                | 1 278 980        | 1 702 219        |
|  | 4 258 365        | 5 063 211        |

It is municipality policy to lease certain equipment and motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2015: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. .

### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

|  |                  |                  |
|--|------------------|------------------|
| <b>Unspent conditional grants and receipts</b> |                  |                  |
| Municipal Infrastructure Grant                 | -                | 835 385          |
| Spatial Development Framework Funding          | 600 000          | 600 000          |
| Housing Grant                                  | 1 431 956        | 1 766 956        |
| Library Grant                                  | -                | 137 186          |
| Beach Access Upgrade                           | 301 611          | 495 644          |
| Integrated Development Plan Grant              | -                | 112 018          |
| Development Planning and Shared Services       | 172 498          | 172 498          |
| Small Town Rehabilitation                      | 3 001 226        | 30 000           |
| Schemes support programme                      | 57 000           | 615 600          |
|  | <b>5 564 291</b> | <b>4 765 287</b> |

### Movement during the year

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 4 765 287        | 9 934 870        |
| Additions during the year            | 142 399 997      | 117 422 003      |
| Income recognition during the year   | (141 600 993)    | (122 591 586)    |
|                                      | <b>5 564 291</b> | <b>4 765 287</b> |



# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

|                 |      |      |
|-----------------|------|------|
| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|

### 11. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

### 12. Provisions

#### Reconciliation of provisions - 2016

|               | Opening<br>Balance | Reversed<br>during the<br>year | Total     |
|---------------|--------------------|--------------------------------|-----------|
| Leave Accrual | 1 191 509          | (4 541)                        | 1 186 968 |

#### Reconciliation of provisions - 2015

|               | Opening<br>Balance | Additions | Total     |
|---------------|--------------------|-----------|-----------|
| Leave Accrual | 1 000 090          | 191 419   | 1 191 509 |

### 13. Payables from exchange transactions

|                 |                   |                   |
|-----------------|-------------------|-------------------|
| Trade payables  | 14 388 484        | 11 989 387        |
| Other creditors | 1 462 560         | 706 113           |
| Leave Accrual   | 1 186 968         | 1 191 509         |
| Retentions      | 8 125 673         | 5 042 584         |
|                 | <b>25 163 685</b> | <b>18 929 593</b> |

#### Other creditors balance is made out of :

|                             |                  |                |
|-----------------------------|------------------|----------------|
| Payroll Creditors           | 1 075 018        | 416 932        |
| Sundry Creditors            | 239 253          | 124 425        |
| Payment Received in Advance | 148 289          | 164 756        |
|                             | <b>1 462 560</b> | <b>706 113</b> |

The fair value of trade and other payables approximates their carrying amounts.

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand           | 2016             | 2015             |
|---------------------------|------------------|------------------|
| <b>14. Property rates</b> |                  |                  |
| <b>Rates received</b>     |                  |                  |
| Property rates            | 10 970 780       | 10 399 564       |
| Less: Income forgone      | (4 113 305)      | (3 909 164)      |
|                           | <b>6 857 475</b> | <b>6 490 400</b> |

### Valuations

|                               |                      |                      |
|-------------------------------|----------------------|----------------------|
| Residential                   | 193 868 000          | 193 868 000          |
| Commercial                    | 95 165 000           | 95 165 000           |
| State                         | 141 833 000          | 141 833 000          |
| Municipal (Ngonyama Trust)    | 42 250 000           | 42 250 000           |
| Agriculture                   | 588 256 000          | 588 256 000          |
| Public Benefit Organisations  | 122 209 000          | 122 209 000          |
| Public Service Infrastructure | 7 213 000            | 7 213 000            |
|                               | <b>1 190 794 000</b> | <b>1 190 794 000</b> |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.03611 is applied to property valuations to determine assessment rates. Rebates of 50% are granted to residential and state property owners.

### 15. Service charges

|                |         |         |
|----------------|---------|---------|
| Refuse removal | 312 222 | 278 715 |
|----------------|---------|---------|

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                      | 2016               | 2015               |
|--|--------------------|--------------------|
| <b>16. Government grants and subsidies</b>           |                    |                    |
| <b>Operating grants</b>                              |                    |                    |
| Equitable share                                      | 93 949 000         | 67 324 724         |
| Housing Grant  | 335 000            | -                  |
| Sports and Recreation Grant                          | -                  | 247 528            |
| Municipal Systems Intergrated Grant                  | 930 000            | 934 000            |
| Integrated Development Plan Grant                    | 112 018            | -                  |
| Beach Access Upgrade Grant                           | 194 033            | 323 689            |
| Small Town Rehabilitation Grant                      | 28 774             | 240 000            |
| Library Grant  | 860 186            | 559 710            |
| Financial Management Grant                           | 1 800 000          | 1 800 000          |
| Expanded Public Works Program Grant                  | 1 000 000          | 1 455 000          |
| Intergrated National Electrification Grant           | 9 000 000          | 5 113 096          |
| Operational support for Thusong                      | 1 460 997          | 6 539 003          |
| Schemes Support Programme                            | 558 600            | 239 400            |
| Spatial Development Framework Funding ( SDF Funding) | -                  | 198 821            |
|  | <b>110 228 608</b> | <b>84 974 971</b>  |
| <b>Capital grants</b>                                |                    |                    |
| Municipal Infrastructure Grant                       | 31 372 385         | 37 616 615         |
|  | <b>31 372 385</b>  | <b>37 616 615</b>  |
|  | <b>141 600 993</b> | <b>122 591 586</b> |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 325 763- : which is funded from the grant.

### Municipal Infrastructure Grant

|   |              |                |
|---|--------------|----------------|
| Balance unspent at beginning of year    | 835 385      | 6 198 724      |
| Current-year receipts                   | 30 537 000   | 38 452 000     |
| Conditions met - transferred to revenue | (31 372 385) | (37 616 615)   |
| Other                                   | -            | (6 198 724)    |
|   | <b>-</b>     | <b>835 385</b> |

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the asset recognition criteria is met. The revenue recognised met the conditions of the grant.

### Financial Management Grant

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 1 800 000   | 1 800 000   |
| Conditions met - transferred to revenue | (1 800 000) | (1 800 000) |
|   | <b>-</b>    | <b>-</b>    |

The grant was used to promote and support reforms in financial management through financial management internship and reforms programmes. The revenue recognised met the conditions of the grant..

### Spatial Development Framework (SDF Funding)

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand  | 2016           | 2015           |
|--|----------------|----------------|
| <b>16. Government grants and subsidies (continued)</b> |                |                |
| Balance unspent at beginning of year                   | 600 000        | -              |
| Current-year receipts                                  | -              | 600 000        |
|  | <b>600 000</b> | <b>600 000</b> |

### Housing Grant

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year    | 1 766 956        | 1 766 956        |
| Conditions met - transferred to revenue | (335 000)        | -                |
|   | <b>1 431 956</b> | <b>1 766 956</b> |

This grant is unconditional and was used for human settlement operational expenses within the municipality (see note 11).

### Library Grant

|   |           |                |
|---|-----------|----------------|
| Balance unspent at beginning of year    | 137 186   | 35 896         |
| Current-year receipts                   | 723 000   | 661 000        |
| Conditions met - transferred to revenue | (860 186) | (559 710)      |
|   | <b>-</b>  | <b>137 186</b> |

Conditions still to be met - remain liabilities (see note 11).

### Beach Access Upgrade

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 495 644        | -              |
| Current-year receipts                   | -              | 819 333        |
| Conditions met - transferred to revenue | (194 033)      | (323 689)      |
|   | <b>301 611</b> | <b>495 644</b> |

Conditions still to be met - remain liabilities (see note 11).

### Integrated Development Planning Grant

|   |           |                |
|---|-----------|----------------|
| Balance unspent at beginning of year    | 112 018   | 112 018        |
| Conditions met - transferred to revenue | (112 018) | -              |
|   | <b>-</b>  | <b>112 018</b> |

Conditions still to be met - remain liabilities (see note 11).

### Development Planning and Shared Services

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 172 498        | 371 319        |
| Conditions met - transferred to revenue | -              | (198 821)      |
|   | <b>172 498</b> | <b>172 498</b> |

Conditions still to be met - remain liabilities (see note 11).

### Small Town Rehabilitation Grant

|   |           |           |
|---|-----------|-----------|
| Balance unspent at beginning of year    | 30 000    | 270 000   |
| Current-year receipts                   | 3 000 000 | -         |
| Conditions met - transferred to revenue | (28 774)  | (240 000) |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand   | 2016             | 2015          |
|---|------------------|---------------|
| <b>16. Government grants and subsidies (continued)</b>  | <b>3 001 226</b> | <b>30 000</b> |
| Conditions still to be met - remain liabilities (see note 11).  |                  |               |
| <b>Integrated National Electrification Grant</b>  |                  |               |
| Balance unspent at beginning of year  | -                | 113 096       |
| Current-year receipts   | 9 000 000        | 5 000 000     |
| Conditions met - transferred to revenue   | (9 000 000)      | (5 113 096)   |
|   | -                | -             |
| Conditions still to be met - remain liabilities (see note 11).  |                  |               |
| The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant. |                  |               |
| <b>Municipal Systems Improvement Grant</b>  |                  |               |
| Current-year receipts   | 930 000          | 934 000       |
| Conditions met - transferred to revenue   | (930 000)        | (934 000)     |
|   | -                | -             |
| Conditions still to be met - remain liabilities (see note 11).  |                  |               |
| The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant..        |                  |               |
| <b>Expanded Public Works Program Grant</b>  |                  |               |
| Current-year receipts   | 1 000 000        | 1 455 000     |
| Conditions met - transferred to revenue   | (1 000 000)      | (1 455 000)   |
|   | -                | -             |
| The grant was used to expand employment creation efforts as a national priority through the use of labour intensive delivery methods within the municipality. The conditions of the grant were met. (see note 11).  |                  |               |
| <b>Operational Support Grant-Thusong Center</b>   |                  |               |
| Current-year receipts   | 1 460 997        | 4 000 000     |
| Conditions met - transferred to revenue   | (1 460 997)      | 2 539 003     |
| Other   | -                | (6 539 003)   |
|   | -                | -             |
| Conditions still to be met - remain liabilities (see note 11).  |                  |               |
| <b>Schemes Support Programs Grants</b>  |                  |               |
| Balance unspent at beginning of year  | 615 600          | -             |
| Current-year receipts   | -                | 855 000       |
| Conditions met - transferred to revenue   | (558 600)        | (239 400)     |

## uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

| Figures in Rand                                 | 2016   | 2015    |
|---|--------|---------|
| 16. Government grants and subsidies (continued) | 57 000 | 615 600 |

Conditions still to be met - remain liabilities (see note 11).

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                     | 2016              | 2015              |
|-------------------------------------|-------------------|-------------------|
| <b>17. General expenses</b>         |                   |                   |
| Audit Committee                     | 116 658           | 93 641            |
| Advertising                         | 50 699            | 284 574           |
| Auditors remuneration               | 1 549 041         | 1 278 158         |
| Bank charges                        | 167 932           | 91 278            |
| Cleaning                            | 49 446            | 58 795            |
| Poverty Alleviation                 | 1 135 711         | 1 458 555         |
| Internal Audit Fees                 | 2 098 773         | 2 074 361         |
| Consulting and professional fees    | 11 449 843        | 8 566 108         |
| Consumables                         | 43 166            | 22 265            |
| Publicity                           | 4 550 894         | 4 098 361         |
| Donations                           | 165 035           | 149 065           |
| Entertainment                       | 1 759 940         | 869 694           |
| Mayoral Projects                    | 3 250 201         | 1 557 037         |
| Stationery                          | 34 514            | 20 568            |
| Insurance                           | 303 139           | 261 614           |
| Community development and training  | 1 158 979         | 1 329 352         |
| Conferences and seminars            | 22 655            | 150 792           |
| Street Lighting                     | 69 173            | 306 000           |
| Legal Fees                          | 50 342            | 156 174           |
| Vehicles expenses                   | 95 192            | 220 508           |
| Lease Rentals                       | 529 228           | 508 651           |
| Traffic managers services           | 476 302           | 852 571           |
| Medical expenses                    | 21 565            | 4 702             |
| Sampling Testing                    | -                 | 107 552           |
| Fuel and oil                        | 1 682 127         | 1 257 554         |
| Tools                               | 171 054           | 192 493           |
| Postage and courier                 | 12 244            | 11 057            |
| Printing and stationery             | 532 158           | 656 438           |
| Protective clothing                 | 137 644           | 143 944           |
| Royalties and license fees          | 318 652           | 147 832           |
| Refreshments                        | 619 379           | 531 057           |
| Staff welfare                       | 327 679           | 95 240            |
| Subscriptions and membership fees   | 23 784            | 1 084 236         |
| Telephone and fax                   | 1 295 766         | 1 054 387         |
| Training                            | 267 114           | 114 437           |
| Travel - local                      | 5 525 476         | 2 793 063         |
| Refuse                              | 2 680 633         | -                 |
| Land usage management systems       | -                 | 820 526           |
| Electricity                         | 2 539 674         | 2 352 376         |
| Sewerage and waste disposal         | -                 | 447 163           |
| Uniforms                            | 66 978            | 178 333           |
| Archiving                           | -                 | 366 169           |
| Community Services                  | 4 859 464         | 2 980 300         |
| Relocation expenses                 | -                 | 2 123             |
| Noise Pollutions and Disaster Funds | 1 077 133         | 317 804           |
| HIV Awareness                       | 172 276           | 17 416            |
| Development planning                | -                 | 198 821           |
| LED Expenses                        | 265 688           | 108 308           |
| Grants and Donations                | 2 590 177         | 817 828           |
| Burials                             | 6 000             | 21 005            |
| Sundries                            | 328 696           | 28 825            |
| Civic Building Regulation           | -                 | 150 000           |
|                                     | <b>54 648 224</b> | <b>41 409 111</b> |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                     | 2016              | 2015              |
|-------------------------------------|-------------------|-------------------|
| <b>18. Employee related costs</b>   |                   |                   |
| Basic                               | 18 499 276        | 15 122 765        |
| Bonus                               | 951 110           | 801 007           |
| Medical aid - company contributions | 1 349 054         | 1 141 307         |
| SDL                                 | 306 967           | 269 475           |
| Pension Contributions               | 2 129 305         | 1 839 497         |
| Leave pay provision charge          | (4 541)           | 191 419           |
| Overtime payments                   | 1 277 971         | 1 064 920         |
| Night allowances                    | 172 390           | 152 295           |
| Travel Allowances                   | 1 693 077         | 2 120 000         |
| Housing benefits and allowances     | 133 350           | 38 520            |
| Funeral Scheme                      | 74 064            | 67 104            |
| Group Life insurance                | 558 874           | 520 687           |
| Unemployment Insurance              | 155 813           | 130 032           |
| Bargaining Council                  | 10 201            | 7 980             |
|                                     | <b>27 306 911</b> | <b>23 467 008</b> |

### Remuneration of Municipal Manager

|   |                  |                  |
|---|------------------|------------------|
| Annual Remuneration                             | 848 209          | 805 660          |
| Car Allowance                                   | 385 351          | 363 540          |
| Contributions to UIF, Medical and Pension Funds | 50 945           | 56 578           |
|   | <b>1 284 505</b> | <b>1 225 778</b> |

### Remuneration of Chief Finance Officer

|   |                  |                |
|---|------------------|----------------|
| Annual Remuneration                             | 664 315          | 607 115        |
| Car Allowance                                   | 307 930          | 300 000        |
| Contributions to UIF, Medical and Pension Funds | 21 546           | 34 243         |
| Other   | 23 077           | 36 952         |
|   | <b>1 016 868</b> | <b>978 310</b> |

### Remuneration of Corporate Services Director

|   |               |                |
|---|---------------|----------------|
| Annual Remuneration                             | 48 389        | 582 144        |
| Car Allowance                                   | 21 892        | 262 704        |
| Contributions to UIF, Medical and Pension Funds | 2 692         | 41 095         |
|   | <b>72 973</b> | <b>885 943</b> |

The Corporate Services director resigned on 31 July 2015.

### Remuneration of Technical Services Director

|   |                |                |
|---|----------------|----------------|
| Annual Remuneration                             | 129 452        | 102 162        |
| Car Allowance                                   | 45 867         | 43 784         |
| Contributions to UIF, Medical and Pension Funds | 8 149          | 2 069          |
|   | <b>183 468</b> | <b>148 015</b> |

The Technical Services Director was appointed on 01 May 2016

### Remuneration of Community Services Director

|   |         |         |
|---|---------|---------|
| Annual Remuneration                             | 619 614 | 566 767 |
| Car Allowance                                   | 278 466 | 262 704 |
| Contributions to UIF, Medical and Pension Funds | 30 139  | 56 630  |



# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand  | 2016             | 2015             |
|--|------------------|------------------|
| <b>18. Employee related costs (continued)</b>              |                  |                  |
|  | <b>928 219</b>   | <b>886 101</b>   |
| <b>PAYE, UIF &amp; SDL</b>                                 |                  |                  |
| Opening Balance  | 416 932          | 390 861          |
| Council Subscription                                       | 5 589 960        | 5 059 159        |
| Amount Paid -current                                       | (5 520 983)      | (5 450 020)      |
|  | <b>485 909</b>   | <b>416 932</b>   |
| <b>Pension and Medical Aid</b>                             |                  |                  |
| Opening Balance  | -                | 151 387          |
| Council Subscription                                       | 3 478 359        | 2 981 258        |
| Amount Paid -current                                       | (2 931 076)      | (3 132 645)      |
|  | <b>547 283</b>   | <b>-</b>         |
| <b>19. Remuneration of councillors</b>                     |                  |                  |
| Cellphone Allowances                                       | 633 540          | 734 040          |
| Councillors allowances                                     | 5 340 817        | 5 211 185        |
| Travel Allowances  | 2 356 539        | 1 974 698        |
| Data Allowance   | 108 000          | -                |
|  | <b>8 438 896</b> | <b>7 919 923</b> |
| <b>20. Debt impairment</b>                                 |                  |                  |
| Contributions to debt impairment provision - fines         | 3 681 600        | 9 458 197        |
| Contributions to debt impairment provision - trade debtors | 80 288           | 37 166           |
|  | <b>3 761 888</b> | <b>9 495 363</b> |
| <b>21. Interest Received</b>                               |                  |                  |
| <b>Interest revenue</b>                                    |                  |                  |
| Interest earned-Banks                                      | -                | 111 119          |
| Interest earned-outstanding receivables                    | 703 609          | 932 705          |
| Interest earned on investments                             | 1 158 622        | 515 746          |
|  | <b>1 862 231</b> | <b>1 559 570</b> |
| <b>22. Depreciation and amortisation</b>                   |                  |                  |
| Property, plant and equipment                              | 6 291 167        | 4 559 350        |
| Intangible Assets  | 32 595           | 32 595           |
|  | <b>6 323 762</b> | <b>4 591 945</b> |
| <b>23. Impairment of assets</b>                            |                  |                  |
| <b>Impairments</b>   |                  |                  |
| Property, plant and equipment                              | 9 469            | 40 185           |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand                                  | 2016              | 2015              |
|--|-------------------|-------------------|
| <b>24. Finance costs</b>                         |                   |                   |
| Finance leases                                   | 312 159           | 299 633           |
| Other interest paid on bank accounts             | 20 302            | 9 970             |
|  | <b>332 461</b>    | <b>309 603</b>    |
| <b>25. Auditors' remuneration</b>                |                   |                   |
| Current year Audit Fees                          | 1 549 041         | 1 278 158         |
| Current year fees paid                           | (1 549 041)       | (1 278 158)       |
|  | -                 | -                 |
| <b>26. Contracted services</b>                   |                   |                   |
| Sanitation                                       | 462 000           | 122 325           |
| Valuation  | 329 365           | 738 498           |
| Cleaning Services                                | 651 113           | 500 403           |
| Security   | 1 281 672         | 816 927           |
|  | <b>2 724 150</b>  | <b>2 178 153</b>  |
| <b>27. Repairs and Maintenance</b>               |                   |                   |
| Buildings  | 4 116 037         | 450 617           |
| Motor Vehicles                                   | 1 038 420         | 739 743           |
|  | <b>5 154 457</b>  | <b>1 190 360</b>  |
| <b>28. Cash generated from operations</b>        |                   |                   |
| Surplus  | 35 483 528        | 46 087 622        |
| <b>Adjustments for:</b>                          |                   |                   |
| Depreciation and amortisation                    | 6 323 762         | 4 591 945         |
| Loss on sale of Assets                           | -                 | 56 245            |
| Finance costs - Finance leases                   | 312 159           | 299 633           |
| Impairment deficit                               | 9 469             | 40 185            |
| Movements in provisions                          | (4 541)           | 191 419           |
| Other non-cash items                             | 62 706            | 43 802            |
| <b>Changes in working capital:</b>               |                   |                   |
| Receivables from Non-Exchange Transactions       | (2 676 668)       | (1 763 874)       |
| Other receivables from non-exchange transactions | 9 952             | (6 634)           |
| Payables from exchange transactions              | 6 234 092         | 8 328 624         |
| VAT  | 877 987           | (1 792 520)       |
| Unspent conditional grants and receipts          | 799 004           | (5 169 583)       |
|  | <b>47 431 450</b> | <b>50 906 864</b> |

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand  | 2016             | 2015              |
|--|------------------|-------------------|
| <b>29. Commitments</b>   |                  |                   |
| <b>Authorised capital expenditure</b>                              |                  |                   |
| <b>Already contracted for but not provided for</b>                 |                  |                   |
| • Community  | 6 845 148        | 8 520 421         |
| • Infrastructure   | 2 892 798        | 18 390 174        |
|  | <b>9 737 946</b> | <b>26 910 595</b> |
| <b>Not yet contracted for and authorised by accounting officer</b> |                  |                   |
| • Property, plant and equipment                                    | 24 049 000       | 33 382 000        |

The funding if commitments will mainly be obtained from Grants.

## 30. Risk management

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

## 31. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified

(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) Those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events are recognised in the annual financial statement as at reporting date, whereas non-adjusting events are recognised.

The redemarcation of municipal boundaries resulted in Ntambanana Municipality being dissolved and wards redistributed to three municipalities, which are Umhlathuze, uMfolozi and Mthonjaneni municipality. On the 3<sup>rd</sup> of August 2016 local municipality elections took place and new council was formed which incorporate one ward from Ntambanana Municipality due to demarcation processes. This is a non-adjusting events as it is indicative of events arose after the reporting date.

As a result of the above events uMfolozi Municipality absorbed four(4) employees from Ntambanana Municipality. The population of the municipality will increase, resulting in increase in grant allocation.

# uMfolozi Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

| Figures in Rand  | 2016              | 2015              |
|--|-------------------|-------------------|
| <b>32. Unauthorised expenditure</b>  |                   |                   |
| Opening Balance  | 43 864 067        | 22 410 319        |
| Current Year   | 18 522 617        | 21 453 748        |
| <b>Unauthorised expenditure awaiting condonement</b>   | <b>62 386 684</b> | <b>43 864 067</b> |
| <b>33. Fruitless and wasteful expenditure</b>  |                   |                   |
| Opening Balance  | 1 052 074         | 1 052 074         |
| <b>34. Irregular expenditure</b>   |                   |                   |
| Opening balance  | 67 861 549        | 44 156 224        |
| Add: Irregular Expenditure - current year  | 2 650 582         | 23 705 325        |
| <b>Irregular expenditure awaiting condonement</b>  | <b>70 512 131</b> | <b>67 861 549</b> |
| <b>35. Additional disclosure in terms of Municipal Finance Management Act</b>  |                   |                   |
| <b>Councillors' arrear consumer accounts</b>   |                   |                   |
| The are no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2016:  |                   |                   |
| <b>Supply chain management regulations</b>   |                   |                   |
| In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. |                   |                   |
| <b>Current year deviations for 36</b>  |                   |                   |
| Current year-Deviations as a result of a Sole Supplier   | 1 031 124         | -                 |
| Current year- Emergency Quotations   | 245 835           | -                 |
| Current year- Only 2 Quotations Received   | 1 441 456         | -                 |
|  | <b>2 718 415</b>  | <b>-</b>          |

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

| Cost/Revaluation     |                |                |                |                   |                                     |                      | Accumulated depreciation |                   |                |                   |                      |                      |                     |
|----------------------|----------------|----------------|----------------|-------------------|-------------------------------------|----------------------|--------------------------|-------------------|----------------|-------------------|----------------------|----------------------|---------------------|
| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Acquisitions Rand | Correction of prior year error Rand | Closing Balance Rand | Opening Balance Rand     | Acquisitions Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |

#### Land and buildings

|           |                   |                |          |          |          |          |                   |                    |          |          |                  |          |                   |
|-----------|-------------------|----------------|----------|----------|----------|----------|-------------------|--------------------|----------|----------|------------------|----------|-------------------|
| Land      | 10 404 853        | -              | -        | -        | -        | -        | 10 404 853        | -                  | -        | -        | -                | -        | 10 404 853        |
| Buildings | 7 385 974         | 516 232        | -        | -        | -        | -        | 7 902 206         | (3 812 289)        | -        | -        | (238 911)        | -        | 3 851 006         |
|           | <b>17 790 827</b> | <b>516 232</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>18 307 059</b> | <b>(3 812 289)</b> | <b>-</b> | <b>-</b> | <b>(238 911)</b> | <b>-</b> | <b>14 255 859</b> |

#### Infrastructure

|                      |                   |          |          |                   |          |          |                   |                     |          |          |                    |          |                   |
|----------------------|-------------------|----------|----------|-------------------|----------|----------|-------------------|---------------------|----------|----------|--------------------|----------|-------------------|
| Bus Terminals        | 2 989 926         | -        | -        | 5 751 668         | -        | -        | 8 741 594         | (417 746)           | -        | -        | (270 371)          | -        | 8 053 477         |
| Lightning            | 701 118           | -        | -        | -                 | -        | -        | 701 118           | (128 285)           | -        | -        | (23 371)           | -        | 549 462           |
| Pavements            | 48 417            | -        | -        | -                 | -        | -        | 48 417            | (19 367)            | -        | -        | (1 613)            | -        | 27 437            |
| Road Signs           | 10 800            | -        | -        | -                 | -        | -        | 10 800            | (6 480)             | -        | -        | (360)              | -        | 3 960             |
| Roads                | 25 924 634        | -        | -        | 15 261 428        | -        | -        | 41 186 062        | (10 728 043)        | -        | -        | (1 359 932)        | -        | 29 098 087        |
| Storm water Drainage | 205 246           | -        | -        | -                 | -        | -        | 205 246           | (133 409)           | -        | -        | (10 263)           | -        | 61 574            |
|                      | <b>29 880 141</b> | <b>-</b> | <b>-</b> | <b>21 013 096</b> | <b>-</b> | <b>-</b> | <b>50 893 237</b> | <b>(11 433 330)</b> | <b>-</b> | <b>-</b> | <b>(1 665 910)</b> | <b>-</b> | <b>37 793 997</b> |

#### Community Assets

|                          |                   |          |          |                  |          |          |                   |                     |          |          |                    |          |                   |
|--------------------------|-------------------|----------|----------|------------------|----------|----------|-------------------|---------------------|----------|----------|--------------------|----------|-------------------|
| Sportfields and Stadiums | 9 728 337         | -        | -        | -                | -        | -        | 9 728 337         | (1 191 159)         | -        | -        | (324 278)          | -        | 8 212 900         |
| Community Assets         | 52 324 057        | -        | -        | 9 235 680        | -        | -        | 61 559 737        | (14 509 978)        | -        | -        | (2 013 193)        | -        | 45 036 566        |
|                          | <b>62 052 394</b> | <b>-</b> | <b>-</b> | <b>9 235 680</b> | <b>-</b> | <b>-</b> | <b>71 288 074</b> | <b>(15 701 137)</b> | <b>-</b> | <b>-</b> | <b>(2 337 471)</b> | <b>-</b> | <b>53 249 466</b> |

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

| Cost/Revaluation     |                |                |                |                   |                                     |                      | Accumulated depreciation |                   |                |                   |                      |                      |                     |
|----------------------|----------------|----------------|----------------|-------------------|-------------------------------------|----------------------|--------------------------|-------------------|----------------|-------------------|----------------------|----------------------|---------------------|
| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Acquisitions Rand | Correction of prior year error Rand | Closing Balance Rand | Opening Balance Rand     | Acquisitions Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |

#### Leased Assets

|                   |                  |                |          |          |          |          |                  |                    |          |          |                    |          |                    |                  |
|-------------------|------------------|----------------|----------|----------|----------|----------|------------------|--------------------|----------|----------|--------------------|----------|--------------------|------------------|
| Office Equipments | 1 174 323        | -              | -        | -        | -        | -        | 1 174 323        | (734 111)          | -        | -        | (258 314)          | -        | (992 425)          | 181 898          |
| Vehicles          | 5 973 058        | 821 744        | -        | -        | -        | -        | 6 794 802        | (1 216 702)        | -        | -        | (1 331 494)        | -        | (2 548 196)        | 4 246 606        |
|                   | <b>7 147 381</b> | <b>821 744</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>7 969 125</b> | <b>(1 950 813)</b> | <b>-</b> | <b>-</b> | <b>(1 589 808)</b> | <b>-</b> | <b>(3 540 621)</b> | <b>4 428 504</b> |

#### Assets Under Construction

|                           |                   |                   |          |                     |          |          |                   |          |          |          |          |          |          |                   |
|---------------------------|-------------------|-------------------|----------|---------------------|----------|----------|-------------------|----------|----------|----------|----------|----------|----------|-------------------|
| Assets under Construction | 55 468 424        | 47 198 791        | -        | (30 248 776)        | -        | -        | 72 418 439        | -        | -        | -        | -        | -        | -        | 72 418 439        |
|                           | <b>55 468 424</b> | <b>47 198 791</b> | <b>-</b> | <b>(30 248 776)</b> | <b>-</b> | <b>-</b> | <b>72 418 439</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>72 418 439</b> |

#### Other assets

|                      |                  |                |          |          |          |          |                  |                    |          |          |                  |                |                    |                  |
|----------------------|------------------|----------------|----------|----------|----------|----------|------------------|--------------------|----------|----------|------------------|----------------|--------------------|------------------|
| Equipment            | 2 148 397        | 259 818        | -        | -        | -        | -        | 2 408 215        | (1 382 378)        | -        | -        | (195 867)        | -              | (1 578 245)        | 829 970          |
| Furniture & Fittings | 1 909 627        | 495 703        | -        | -        | -        | -        | 2 405 330        | (1 244 278)        | -        | -        | (179 026)        | (9 469)        | (1 432 773)        | 972 557          |
| Vehicles             | 631 298          | -              | -        | -        | -        | -        | 631 298          | (547 125)          | -        | -        | (84 173)         | -              | (631 298)          | -                |
|                      | <b>4 689 322</b> | <b>755 521</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>5 444 843</b> | <b>(3 173 781)</b> | <b>-</b> | <b>-</b> | <b>(459 066)</b> | <b>(9 469)</b> | <b>(3 642 316)</b> | <b>1 802 527</b> |

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

#### Cost/Revaluation

#### Accumulated depreciation

|   | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Acquisitions<br>Rand | Correction of prior<br>year error<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Acquisitions<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|----------------------------|-------------------|-------------------|-------------------|----------------------|---|----------------------------|----------------------------|----------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                            |                   |                   |                   |                      |   |                            |                            |                      |                   |                      |                         |                            |                           |
| Land and buildings                        | 17 790 827                 | 516 232           | -                 | -                 | -                    | -   | 18 307 059                 | (3 812 289)                | -                    | -                 | (238 911)            | -                       | (4 051 200)                | 14 255 859                |
| Infrastructure                            | 29 880 141                 | -                 | -                 | 21 013 096        | -                    | -   | 50 893 237                 | (11 433 330)               | -                    | -                 | (1 665 910)          | -                       | (13 099 240)               | 37 793 997                |
| Community Assets                          | 62 052 394                 | -                 | -                 | 9 235 680         | -                    | -   | 71 288 074                 | (15 701 137)               | -                    | -                 | (2 337 471)          | -                       | (18 038 608)               | 53 249 466                |
| Leased Assets                             | 7 147 381                  | 821 744           | -                 | -                 | -                    | -   | 7 969 125                  | (1 950 813)                | -                    | -                 | (1 589 808)          | -                       | (3 540 621)                | 4 428 504                 |
| Assets Under Construction                 | 55 468 424                 | 47 198 791        | -                 | (30 248 776)      | -                    | -   | 72 418 439                 | -                          | -                    | -                 | -                    | -                       | -                          | 72 418 439                |
| Other assets                              | 4 689 322                  | 755 521           | -                 | -                 | -                    | -   | 5 444 843                  | (3 173 781)                | -                    | -                 | (459 066)            | (9 469)                 | (3 642 316)                | 1 802 527                 |
|   | <b>177 028 489</b>         | <b>49 292 288</b> | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>-</b>                                  | <b>226 320 777</b>         | <b>(36 071 350)</b>        | <b>-</b>             | <b>-</b>          | <b>(6 291 166)</b>   | <b>(9 469)</b>          | <b>(42 371 985)</b>        | <b>183 948 792</b>        |
| <b>Agricultural/Biological assets</b>     |                            |                   |                   |                   |                      |   |                            |                            |                      |                   |                      |                         |                            |                           |
| <b>Intangible assets</b>                  |                            |                   |                   |                   |                      |   |                            |                            |                      |                   |                      |                         |                            |                           |
| Computers - software & programming        | 162 978                    | -                 | -                 | -                 | -                    | -   | 162 978                    | (118 807)                  | -                    | -                 | (32 595)             | -                       | (151 402)                  | 11 576                    |
|   | <b>162 978</b>             | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>-</b>                                  | <b>162 978</b>             | <b>(118 807)</b>           | <b>-</b>             | <b>-</b>          | <b>(32 595)</b>      | <b>-</b>                | <b>(151 402)</b>           | <b>11 576</b>             |
| <b>Total</b>                              |                            |                   |                   |                   |                      |   |                            |                            |                      |                   |                      |                         |                            |                           |
| Land and buildings                        | 17 790 827                 | 516 232           | -                 | -                 | -                    | -   | 18 307 059                 | (3 812 289)                | -                    | -                 | (238 911)            | -                       | (4 051 200)                | 14 255 859                |
| Infrastructure                            | 29 880 141                 | -                 | -                 | 21 013 096        | -                    | -   | 50 893 237                 | (11 433 330)               | -                    | -                 | (1 665 910)          | -                       | (13 099 240)               | 37 793 997                |
| Community Assets                          | 62 052 394                 | -                 | -                 | 9 235 680         | -                    | -   | 71 288 074                 | (15 701 137)               | -                    | -                 | (2 337 471)          | -                       | (18 038 608)               | 53 249 466                |
| Leased Assets                             | 7 147 381                  | 821 744           | -                 | -                 | -                    | -   | 7 969 125                  | (1 950 813)                | -                    | -                 | (1 589 808)          | -                       | (3 540 621)                | 4 428 504                 |
| Assets Under Construction                 | 55 468 424                 | 47 198 791        | -                 | (30 248 776)      | -                    | -   | 72 418 439                 | -                          | -                    | -                 | -                    | -                       | -                          | 72 418 439                |
| Other assets                              | 4 689 322                  | 755 521           | -                 | -                 | -                    | -   | 5 444 843                  | (3 173 781)                | -                    | -                 | (459 066)            | (9 469)                 | (3 642 316)                | 1 802 527                 |
| Intangible assets                         | 162 978                    | -                 | -                 | -                 | -                    | -   | 162 978                    | (118 807)                  | -                    | -                 | (32 595)             | -                       | (151 402)                  | 11 576                    |
|   | <b>177 191 467</b>         | <b>49 292 288</b> | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>-</b>                                  | <b>226 483 755</b>         | <b>(36 190 157)</b>        | <b>-</b>             | <b>-</b>          | <b>(6 323 761)</b>   | <b>(9 469)</b>          | <b>(42 523 387)</b>        | <b>183 960 368</b>        |

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2015

| Cost/Revaluation | Accumulated depreciation |
|------------------|--------------------------|
|------------------|--------------------------|

|                           | Opening<br>Balance<br>Rand | Additions<br>Rand | Acquisitions<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Restatements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Restatements<br>Rand | Acquisitions<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---------------------------|----------------------------|-------------------|----------------------|-------------------|----------------------|----------------------|----------------------------|----------------------------|----------------------|----------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b> |                            |                   |                      |                   |                      |                      |                            |                            |                      |                      |                      |                         |                            |                           |
| Land                      | 10 404 853                 | -                 | -                    | -                 | -                    | -                    | 10 404 853                 | -                          | -                    | -                    | -                    | -                       | -                          | 10 404 853                |
| Buildings                 | 7 385 974                  | -                 | -                    | -                 | -                    | -                    | 7 385 974                  | (3 574 792)                | -                    | -                    | (237 497)            | -                       | (3 812 289)                | 3 573 685                 |
|                           | <b>17 790 827</b>          | <b>-</b>          | <b>-</b>             | <b>-</b>          | <b>-</b>             | <b>-</b>             | <b>17 790 827</b>          | <b>(3 574 792)</b>         | <b>-</b>             | <b>-</b>             | <b>(237 497)</b>     | <b>-</b>                | <b>(3 812 289)</b>         | <b>13 978 538</b>         |
| <b>Infrastructure</b>     |                            |                   |                      |                   |                      |                      |                            |                            |                      |                      |                      |                         |                            |                           |
| Bus Terminals             | 1 600 727                  | -                 | -                    | -                 | -                    | -                    | 1 600 727                  | (337 934)                  | -                    | -                    | (79 812)             | -                       | (417 746)                  | 1 182 981                 |
| Lighting                  | 280 409                    | -                 | -                    | -                 | -                    | -                    | 280 409                    | (106 105)                  | -                    | -                    | (22 180)             | -                       | (128 285)                  | 152 124                   |
| Pavements                 | 48 417                     | -                 | -                    | -                 | -                    | -                    | 48 417                     | (17 753)                   | -                    | -                    | (1 614)              | -                       | (19 367)                   | 29 050                    |
| Road Signs                | 10 800                     | -                 | -                    | -                 | -                    | -                    | 10 800                     | (6 120)                    | -                    | -                    | (360)                | -                       | (6 480)                    | 4 320                     |
| Roads                     | 22 939 637                 | -                 | -                    | 4 794 905         | -                    | -                    | 27 734 542                 | (9 992 958)                | -                    | -                    | (735 086)            | -                       | (10 728 044)               | 17 006 498                |
| Storm water Drainage      | 205 246                    | -                 | -                    | -                 | -                    | -                    | 205 246                    | (123 147)                  | -                    | -                    | (10 262)             | -                       | (133 409)                  | 71 837                    |
|                           | <b>25 085 236</b>          | <b>-</b>          | <b>-</b>             | <b>4 794 905</b>  | <b>-</b>             | <b>-</b>             | <b>29 880 141</b>          | <b>(10 584 017)</b>        | <b>-</b>             | <b>-</b>             | <b>(849 314)</b>     | <b>-</b>                | <b>(11 433 331)</b>        | <b>18 446 810</b>         |
| <b>Community Assets</b>   |                            |                   |                      |                   |                      |                      |                            |                            |                      |                      |                      |                         |                            |                           |
| Community Assets          | 44 884 026                 | -                 | -                    | 7 440 031         | -                    | -                    | 52 324 057                 | (12 924 045)               | -                    | -                    | (1 585 933)          | -                       | (14 509 978)               | 37 814 079                |
| Sportsfields and stadium  | 3 887 243                  | -                 | -                    | 5 841 094         | -                    | -                    | 9 728 337                  | (1 019 280)                | -                    | -                    | (171 879)            | -                       | (1 191 159)                | 8 537 178                 |
|                           | <b>48 771 269</b>          | <b>-</b>          | <b>-</b>             | <b>13 281 125</b> | <b>-</b>             | <b>-</b>             | <b>62 052 394</b>          | <b>(13 943 325)</b>        | <b>-</b>             | <b>-</b>             | <b>(1 757 812)</b>   | <b>-</b>                | <b>(15 701 137)</b>        | <b>46 351 257</b>         |



## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2015

| Cost/Revaluation     |                |                   |                |                   |                   | Accumulated depreciation |                      |                   |                   |                   |                      |                      |                     |
|----------------------|----------------|-------------------|----------------|-------------------|-------------------|--------------------------|----------------------|-------------------|-------------------|-------------------|----------------------|----------------------|---------------------|
| Opening Balance Rand | Additions Rand | Acquisitions Rand | Transfers Rand | Revaluations Rand | Restatements Rand | Closing Balance Rand     | Opening Balance Rand | Restatements Rand | Acquisitions Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |

#### Leased assets

|                   |                  |          |          |                  |          |          |                  |                  |          |          |                    |          |                    |                  |
|-------------------|------------------|----------|----------|------------------|----------|----------|------------------|------------------|----------|----------|--------------------|----------|--------------------|------------------|
| Office Equipments | 1 174 323        | -        | -        | -                | -        | -        | 1 174 323        | (499 247)        | -        | -        | (234 864)          | -        | (734 111)          | 440 212          |
| Vehicles          | 2 217 176        | -        | -        | 3 755 883        | -        | -        | 5 973 059        | (332 852)        | -        | -        | (883 850)          | -        | (1 216 702)        | 4 756 357        |
|                   | <b>3 391 499</b> | <b>-</b> | <b>-</b> | <b>3 755 883</b> | <b>-</b> | <b>-</b> | <b>7 147 382</b> | <b>(832 099)</b> | <b>-</b> | <b>-</b> | <b>(1 118 714)</b> | <b>-</b> | <b>(1 950 813)</b> | <b>5 196 569</b> |

#### Assets under Construction

|                            |                   |                   |          |                     |          |          |                   |          |          |          |          |          |          |                   |
|----------------------------|-------------------|-------------------|----------|---------------------|----------|----------|-------------------|----------|----------|----------|----------|----------|----------|-------------------|
| Assets under Constructions | 27 457 556        | 41 044 314        | -        | (18 076 030)        | -        | -        | 50 425 840        | -        | -        | -        | -        | -        | -        | 50 425 840        |
|                            | <b>27 457 556</b> | <b>41 044 314</b> | <b>-</b> | <b>(18 076 030)</b> | <b>-</b> | <b>-</b> | <b>50 425 840</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>50 425 840</b> |

#### Other assets

|                        |                  |                |          |          |          |          |                  |                    |          |          |                  |                 |                    |                  |
|------------------------|------------------|----------------|----------|----------|----------|----------|------------------|--------------------|----------|----------|------------------|-----------------|--------------------|------------------|
| Equipment              | 1 821 759        | 326 638        | -        | -        | -        | -        | 2 148 397        | (1 209 325)        | -        | -        | (173 052)        | -               | (1 382 377)        | 766 020          |
| Furniture and Fittings | 2 497 524        | 43 401         | -        | -        | -        | -        | 2 540 925        | (1 470 861)        | -        | -        | (280 358)        | (40 185)        | (1 791 404)        | 749 521          |
| Vehicles               | 4 281 028        | -              | -        | -        | -        | -        | 4 281 028        | (3 937 440)        | -        | -        | (142 603)        | -               | (4 080 043)        | 200 985          |
|                        | <b>8 600 311</b> | <b>370 039</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>8 970 350</b> | <b>(6 617 626)</b> | <b>-</b> | <b>-</b> | <b>(596 013)</b> | <b>(40 185)</b> | <b>(7 253 824)</b> | <b>1 716 526</b> |

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2015

#### Cost/Revaluation

#### Accumulated depreciation

|   | Opening<br>Balance<br>Rand | Additions<br>Rand | Acquisitions<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Restatements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Restatements<br>Rand | Acquisitions<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|----------------------------|-------------------|----------------------|-------------------|----------------------|----------------------|----------------------------|----------------------------|----------------------|----------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                            |                   |                      |                   |                      |                      |                            |                            |                      |                      |                      |                         |                            |                           |
| Land and buildings                        | 17 790 827                 | -                 | -                    | -                 | -                    | -                    | 17 790 827                 | (3 574 792)                | -                    | -                    | (237 497)            | -                       | (3 812 289)                | 13 978 538                |
| Infrastructure                            | 25 085 236                 | -                 | -                    | 4 794 905         | -                    | -                    | 29 880 141                 | (10 584 017)               | -                    | -                    | (849 314)            | -                       | (11 433 331)               | 18 446 810                |
| Community Assets                          | 48 771 269                 | -                 | -                    | 13 281 125        | -                    | -                    | 62 052 394                 | (13 943 325)               | -                    | -                    | (1 757 812)          | -                       | (15 701 137)               | 46 351 257                |
| Leased assets                             | 3 391 499                  | -                 | -                    | 3 755 883         | -                    | -                    | 7 147 382                  | (832 099)                  | -                    | -                    | (1 118 714)          | -                       | (1 950 813)                | 5 196 569                 |
| Assets under Construction                 | 27 457 556                 | 41 044 314        | -                    | (18 076 030)      | -                    | -                    | 50 425 840                 | -                          | -                    | -                    | -                    | -                       | -                          | 50 425 840                |
| Other assets                              | 8 600 311                  | 370 039           | -                    | -                 | -                    | -                    | 8 970 350                  | (6 617 626)                | -                    | -                    | (596 013)            | (40 185)                | (7 253 824)                | 1 716 526                 |
|   | <b>131 096 698</b>         | <b>41 414 353</b> | <b>-</b>             | <b>3 755 883</b>  | <b>-</b>             | <b>-</b>             | <b>176 266 934</b>         | <b>(35 551 859)</b>        | <b>-</b>             | <b>-</b>             | <b>(4 559 350)</b>   | <b>(40 185)</b>         | <b>(40 151 394)</b>        | <b>136 115 540</b>        |
| <b>Intangible assets</b>                  |                            |                   |                      |                   |                      |                      |                            |                            |                      |                      |                      |                         |                            |                           |
| Computers - software & programming        | 162 978                    | -                 | -                    | -                 | -                    | -                    | 162 978                    | (86 212)                   | -                    | -                    | (32 595)             | -                       | (118 807)                  | 44 171                    |
|   | <b>162 978</b>             | <b>-</b>          | <b>-</b>             | <b>-</b>          | <b>-</b>             | <b>-</b>             | <b>162 978</b>             | <b>(86 212)</b>            | <b>-</b>             | <b>-</b>             | <b>(32 595)</b>      | <b>-</b>                | <b>(118 807)</b>           | <b>44 171</b>             |
| <b>Total</b>                              |                            |                   |                      |                   |                      |                      |                            |                            |                      |                      |                      |                         |                            |                           |
| Land and buildings                        | 17 790 827                 | -                 | -                    | -                 | -                    | -                    | 17 790 827                 | (3 574 792)                | -                    | -                    | (237 497)            | -                       | (3 812 289)                | 13 978 538                |
| Infrastructure                            | 25 085 236                 | -                 | -                    | 4 794 905         | -                    | -                    | 29 880 141                 | (10 584 017)               | -                    | -                    | (849 314)            | -                       | (11 433 331)               | 18 446 810                |
| Community Assets                          | 48 771 269                 | -                 | -                    | 13 281 125        | -                    | -                    | 62 052 394                 | (13 943 325)               | -                    | -                    | (1 757 812)          | -                       | (15 701 137)               | 46 351 257                |
| Leased assets                             | 3 391 499                  | -                 | -                    | 3 755 883         | -                    | -                    | 7 147 382                  | (832 099)                  | -                    | -                    | (1 118 714)          | -                       | (1 950 813)                | 5 196 569                 |
| Assets under Construction                 | 27 457 556                 | 41 044 314        | -                    | (18 076 030)      | -                    | -                    | 50 425 840                 | -                          | -                    | -                    | -                    | -                       | -                          | 50 425 840                |
| Other assets                              | 8 600 311                  | 370 039           | -                    | -                 | -                    | -                    | 8 970 350                  | (6 617 626)                | -                    | -                    | (596 013)            | (40 185)                | (7 253 824)                | 1 716 526                 |
| Intangible assets                         | 162 978                    | -                 | -                    | -                 | -                    | -                    | 162 978                    | (86 212)                   | -                    | -                    | (32 595)             | -                       | (118 807)                  | 44 171                    |
|   | <b>131 259 676</b>         | <b>41 414 353</b> | <b>-</b>             | <b>3 755 883</b>  | <b>-</b>             | <b>-</b>             | <b>176 429 912</b>         | <b>(35 638 071)</b>        | <b>-</b>             | <b>-</b>             | <b>(4 591 945)</b>   | <b>(40 185)</b>         | <b>(40 270 201)</b>        | <b>136 159 711</b>        |

## Appendix D

June 2016

### Segmental Statement of Financial Performance for the year ended Prior Year Current Year

| Actual<br>Income<br>Rand | Actual<br>Expenditure<br>Rand | Surplus<br>/(Deficit)<br>Rand |   | Actual<br>Income<br>Rand | Actual<br>Expenditure<br>Rand | Surplus<br>/(Deficit)<br>Rand |
|--------------------------|-------------------------------|-------------------------------|---|--------------------------|-------------------------------|-------------------------------|
| <b>Municipality</b>      |                               |                               |   |                          |                               |                               |
| -                        | 21 357 953                    | (21 357 953)                  | Executive & Council/Mayor and Council                 | 1 011 148                | 28 842 529                    | (27 831 381)                  |
| 131 824 157              | 36 807 619                    | 95 016 538                    | Finance & Admin/Finance                               | 106 643 362              | 42 396 145                    | 64 247 217                    |
| 10 621 643               | 7 468 461                     | 3 153 182                     | Planning and Development/Economic<br>Development/Plan | 41 976 258               | 25 410 686                    | 16 565 572                    |
| -                        | 16 416 669                    | (16 416 669)                  | Corporate Services                                    | 5 237 988                | 8 511 168                     | (3 273 180)                   |
| 1 226 946                | 15 313 177                    | (14 086 231)                  | Comm. & Social/Libraries and archives                 | 880 389                  | 15 434 852                    | (14 554 463)                  |
| <b>143 672 746</b>       | <b>97 363 879</b>             | <b>46 308 867</b>             |   | <b>155 749 145</b>       | <b>120 595 380</b>            | <b>35 153 765</b>             |